

# Jumbo Corporation (JUM)

Logo

Sector	Sub Industry	Industry Group	Key Services
Consumer Discretionary	Retailing	Internet & Catalogue Retail	Catalogue Retail

## Company Overview

JUM, founded in 1995, is a developer of secure online retailing software (Jumbostore.com) with credit card security, anti-fraud filters and online marketing functions. Over 95% of revenue is generated by the online shopping mall, through which JUM sells "internet friendly" goods including computer software, luxury items (cosmetics, fragrances and cigars) lottery tickets and gifts to customers around the world. The company has established the first Australian-based on-line betting exchange called Betexsports.com that also provide betting exchange software and services to facilitate the establishment of its clients own betting exchanges. In addition, JUM holds an 18% stake in Global Approach Limited (GLO), an on-line casino operator.

## Strategy

Online security is a cornerstone principle to the company that ensures customer satisfaction is maximised for repeat business. JUM is focused on retailing online "internet friendly" goods and is constantly seeking new product lines that provide opportunities for growth. The establishment of the online betting exchange will diversify the product base and is aimed at securing a stake in the emerging online betting exchange industry.

## Industries of Operation

JUM's operating activities encompass: on-line shopping mall (95% of revenue), on-line retailing (3% of revenue), provision of IT services (1% of revenue), other (1% of revenue). The primary market is the USA online consumer market, which is growing by more than 50% per annum. JUM has a less than 0.5% share of this highly fragmented A\$120B market. UK-based Betfair dominates the betting exchange market; new players, including Betexsports.com, are vying for a small piece of this highly lucrative market.

## Differentiating Factors

JUM has a strong track record – it is one of the few Internet companies that have consistently grown and its online retailing business is now profitable. Its competitive advantage stems from nine years of experience in online security, marketing and customer service. The company's investment in GLO has delivered certain synergy benefits; following on from this, there is scope to leverage the company's online capabilities to expand its operations, for example Betexsports.com will leverage off the established payment systems, marketing techniques, online security. JUM has an ongoing research and development program that continually updates the software to keep ahead of competition. Enhancements are built as required while other web sites with "off-the-shelf" software systems must rely on the developer to deliver those enhancements.

## Key Executives

Mike Veverka has been CEO since the Company was restructured in September 1999. Mr Veverka was the founder of Benon Technologies – the main operational entity for the online retailing - and was instrumental in the development of the e-commerce software that is the foundation of the business. Mr Ververka holds an honours degree in engineering.

## Key investment information

Market Cap (\$M): \$4.7M

### Capital Structure

Ord shares on issue (M): 241.8

Options ("in-the-money") (M): 6.5

Convertible notes/oth (M): 0.0

Fully diluted capital (M): 248.3

Price as at 19 Oct 2004: \$0.019

12 month H/L: \$0.024 / \$0.015

Turnover (\$M pa): \$1.7M

Official listing date: Jun 1972

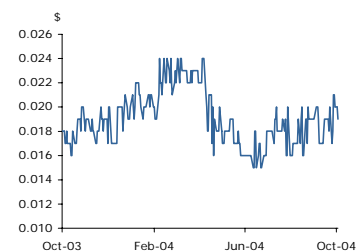
## Substantial shareholders (%)

ANZ Nominees 17.7%

Veston Pty Ltd 11.2%

Veston Pty Ltd 9.1%

## Share price performance



Source: IRESS

## Company contact:

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**Board of Directors**

Alan Phillips  
(Chairman)

Mike Veverka  
(Chief Executive Officer)

Earl Evans  
(Non-Executive Director)

**Recent Announcements**

**21 September 2004** – GLO expands with six new casino games. Associate company, GLO announced the expansion of the Music Hall Casino (MHC) with six new games, resulting in a total of 84 games. Also, the achievement of record revenue in July/August 04 signals that MHC will potentially be profitable in FY05. However, GLO has foreshadowed profit of \$0.1 to \$0.5M for FY05, suggesting that it will fail to achieve the threshold required to deliver JUM a bonus 0.9M shares.

**31 August 2004**– Another Record for JUM. JUM achieve its second successive year of record profit in FY04, with a 159% rise in net profit to \$0.3M. This was underpinned by a 180% increase in revenue.

**20 July 2004**– Jumbo to launch Betting Exchange. JUM announced plans to launch a betting exchange – Betexsports.com – and to also provide betting exchange software and services to facilitate the establishment of its clients own betting exchanges.

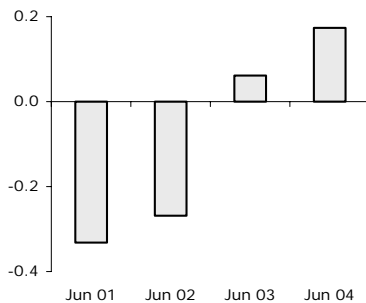
**Aegis Comments**

**Outlook:** The company has foreshadowed steady growth for FY05, based on further improvements in online marketing techniques and continued penetration of online retailing. JUM's foray into online betting could potentially provide strong growth impetus over the medium-term. The betting exchange market is experiencing phenomenal growth – experts predict a 79% annual growth in matched bets over the next four years to \$217B; the opportunity from JUM securing a marginal stake in this market is significant.

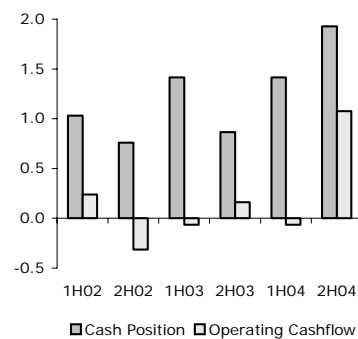
**Catalysts:** Success of Jumbo's new online betting exchange will diversify the product base, while adding a new growth avenue over the medium term. A further catalyst for an upgrade is continued momentum in the growth of new customers and repeat customers, which would provide upside to revenue and profit.

**Risks:** Online security – While considerable effort is made to ensure payments are secure and online fraud is kept to minimal levels, the risk of unauthorized access and of customers' perception towards online security is inherent throughout the industry. High dependence on software means that any technology glitch could impact profits. The extent of this would depend on how long the software is down, but key causes could relate to virus impact or server problems. Direct and indirect reliance on consumer spending – a potential slowdown would have adverse repercussions.

**EPS History (cps)**



**Operating Cashflow/  
Cash Position (\$M)**



Source: JUM / Aegis Equities Research

**JUM Financial Summary – 3 years**

	Jun 02	Jun 03	Jun 04
Revenue (\$M)	1.740	2.549	7.626
% change	258%	47%	199%
EBITDA (\$M)	-0.513	0.146	0.413
% change	-26%	-128%	183%
NPAT* (\$M)	-0.424	0.102	0.381
% change	-19%	-124%	274%
eps* (cps)	-0.3	0.1	0.2
% change	-19%	-123%	185%
dps (cps)	0.0	0.0	0.0
% change	na	na	na
Net debt (cash)/equity (%)	1842%	-149%	-129%
Net interest cover (x)	na	725	24
ROE (%)	-277%	38%	30%
ROA (%)	-59%	10%	13%